

FIRST DIVISION

[G.R. No. 160107, October 22, 2014]

**SPOUSES JAIME SEBASTIAN AND EVANGELINE SEBASTIAN,
PETITIONERS, VS. BPI FAMILY BANK, INC., CARMELITA ITAPO
AND BENJAMIN HAO, RESPONDENTS.**

DECISION

BERSAMIN, J.:

The protection of Republic Act No. 6552 (*Realty Installment Buyer Protection Act*) does not cover a loan extended by the employer to enable its employee to finance the purchase of a house and lot. The law protects only a buyer acquiring the property by installment, not a borrower whose rights are governed by the terms of the loan from the employer.

The Case

Under appeal is the decision promulgated on November 21, 2002,^[1] whereby the Court of Appeals (CA) affirmed the dismissal of the action for injunction filed by the petitioners against the respondents to prevent the foreclosure of the mortgage constituted on the house and lot acquired out of the proceeds of the loan from respondent BPI Family Bank (BPI Family), their employer.

Antecedents

The petitioners are spouses who used to work for BPI Family. At the time material to this case, Jaime was the Branch Manager of BPI Family's San Francisco del Monte Branch in Quezon City and Evangeline was a bank teller at the Blumentritt Branch in Manila. On October 30, 1987, they availed themselves of a housing loan from BPI Family as one of the benefits extended to its employees. Their loan amounted to P273,000.00, and was covered by a Loan Agreement,^[2] whereby they agreed that the loan would be payable in 108 equal monthly amortizations of P3,277.57 starting on January 10, 1988 until December 10, 1996;^[3] and that the monthly amortizations would be deducted from his monthly salary.^[4] To secure the payment of the loan, they executed a real estate mortgage in favor of BPI Family^[5] over the property situated in Bo. Ibayo, Marilao, Bulacan and covered by TCT No. T-30.827 (M) of the Register of Deeds of Bulacan.^[6]

Apart from the loan agreement and the real estate mortgage, Jaime signed an undated letter-memorandum addressed to BPI Family,^[7] stating as follows:

In connection with the loan extended to me by BPI Family Bank, I hereby authorize you to automatically deduct an amount from my salary or any

money due to me to be applied to my loan, more particularly described as follows:

x x x x

This authority is irrevocable and shall continue to exist until my loan is fully paid. I hereby declare that I have signed this authority fully aware of the circumstances leading to the loan extended to me by BPI Family Bank and with full knowledge of the rights, obligations, and liabilities of a borrower under the law.

I am an employee of BPI Family Bank and I acknowledge that BPI Family Bank has granted to me the above-mentioned loan in consideration of this relationship. In the event I leave, resign or am discharged from the service of BPI Family Bank or my employment with BPI Family Bank is otherwise terminated, I also authorize you to apply any amount due me from BPI Family Bank to the payment of the outstanding principal amount of the aforesaid loan and the interest accrued thereon which shall thereupon become entirely due and demandable on the effective date of such discharge, resignation or termination without need of notice of demand, and to do such other acts as may be necessary under the circumstances. (Bold emphasis added)

x x x x.

The petitioners' monthly loan amortizations were regularly deducted from Jaime's monthly salary since January 10, 1988. On December 14, 1989, however, Jaime received a notice of termination from BPI Family's Vice President, Severino P. Coronacion,^[8] informing him that he had been terminated from employment due to loss of trust and confidence resulting from his wilful non-observance of standard operating procedures and banking laws. Evangeline also received a notice of termination dated February 23, 1990,^[9] telling her of the cessation of her employment on the ground of abandonment. Both notices contained a demand for the full payment of their outstanding loans from BPI Family, viz:

Demand is also made upon you to pay in full whatever outstanding obligations by way of Housing Loans, Salary Loans, etc. that you may have with the bank. **You are well aware that said obligations become due and demandable upon your separation from the service of the bank.**^[10] (Emphasis supplied.)

Immediately, the petitioners filed a complaint for illegal dismissal against BPI Family in the National Labor Relations Commission (NLRC).^[11]

About a year after their termination from employment, the petitioners received a demand letter dated January 28, 1991 from BPI Family's counsel requiring them to pay their total outstanding obligation amounting to P221,534.50.^[12] The demand letter stated that their entire outstanding balance had become due and demandable

upon their separation from BPI Family. They replied through their counsel on February 12, 1991.^[13]

In the meantime, BPI Family instituted a petition for the foreclosure of the real estate mortgage.^[14] The petitioners received on March 6, 1991 the notice of extrajudicial foreclosure of mortgage dated February 21, 1991.

To prevent the foreclosure of their property, the petitioners filed against the respondents their complaint for injunction and damages with application for preliminary injunction and restraining order^[15] in the Regional Trial Court (RTC) in Malolos, Bulacan.^[16] They therein alleged that their obligation was not yet due and demandable considering that the legality of their dismissal was still pending resolution by the labor court; hence, there was yet no basis for the foreclosure of the mortgaged property; and that the property sought to be foreclosed was a family dwelling in which they and their four children resided.

In its answer with counterclaim,^[17] BPI Family asserted that the loan extended to the petitioners was a special privilege granted to its employees; that the privilege was coterminous with the tenure of the employees with the company; and that the foreclosure of the mortgaged property was justified by the petitioners' failure to pay their past due loan balance.

Judgment of the RTC

On June 27, 1995, the RTC rendered judgment,^[18] disposing thusly:

IN VIEW OF THE FOREGOING CONSIDERATIONS, the Court hereby renders judgment DISMISSING the instant case as well as defendant bank's counterclaim without any pronouncement as to costs.

SO ORDERED.^[19]

Decision of the CA

The petitioners appealed upon the following assignment of errors, namely:

I. THE TRIAL COURT ERRED IN FINDING THAT APPELLEE BANK'S FORECLOSURE OF THE REAL ESTATE MORTGAGE CONSTITUTED ON APPELLANT'S FAMILY HOME WAS IN ORDER.

A. Appellants cannot be considered as terminated from their employment with appellee bank during the pendency of their complaint for illegal dismissal with the NLRC.

B. Appellee bank wrongfully refused to accept the payments of appellants' monthly amortizations.

II. THE TRIAL COURT ERRED IN DENYING APPELLANT'S PRAYER FOR INJUNCTION.

A. The foreclosure of appellants' mortgage was premature.

B. Appellants are entitled to damages.^[20]

On November 21, 2002, the CA promulgated its assailed decision affirming the judgment of the RTC *in toto*.^[21]

The petitioners then filed their motion for reconsideration,^[22] in which they contended *for the first time* that their rights under Republic Act No. 6552 (*Realty Installment Buyer Protection Act*) had been disregarded, considering that Section 3 of the law entitled them to a grace period within which to settle their unpaid installments without interest; and that the loan agreement was in the nature of a contract of adhesion that must be construed strictly against the one who prepared it, that is, BPI Family itself.

On September 18, 2003, the CA denied the petitioners' motion for reconsideration.^[23]

Issues

In this appeal, the petitioners submit for our consideration and resolution the following issues, to wit:

WHETHER OR NOT RESPONDENT COURT OF APPEALS GRAVELY ERRED IN DECLARING THE FORECLOSURE OF THE REAL ESTATE MORTGAGE ON PETITIONERS' FAMILY HOME IN ORDER.

WHETHER OR NOT RESPONDENT COURT OF APPEALS GRAVELY ERRED IN DENYING PETITIONERS' MOTION FOR RECONSIDERATION DESPITE JUSTIFIABLE REASONS THEREFOR.^[24]

Ruling

The petition for review has no merit.

When the petitioners appealed the RTC decision to the CA, their appellants' brief limited the issues to the following:

(a) Whether or not appellee bank wrongfully refused to accept payments by appellants of their monthly amortizations.

(b) Whether or not the foreclosure of appellants' real estate mortgage was premature. ^[25]

The CA confined its resolution to these issues. Accordingly, the petitioners could not raise the applicability of Republic Act No. 6552, or the strict construction of the loan agreement for being a contract of adhesion as issues for the first time either in their motion for reconsideration or in their petition filed in this Court. To allow them to do so would violate the adverse parties' right to fairness and due process. As the Court held in *S.C. Megaworld Construction and Development Corporation v. Parada*:^[26]

It is well-settled that no question will be entertained on appeal unless it has been raised in the proceedings below. Points of law, theories, issues and arguments not brought to the attention of the lower court, **administrative agency or quasi-judicial body**, need not be considered by the viewing court, as they cannot be raised for the first time at that late stage. Basic considerations of fairness and due process impel this rule. Any issue raised for the first time on appeal is barred by *estoppel*.

The procedural misstep of the petitioners notwithstanding, the Court finds no substantial basis to reverse the judgments of the lower courts.

Republic Act No. 6552 was enacted to protect buyers of real estate on installment payments against onerous and oppressive conditions.^[27] The protections accorded to the buyers were embodied in Sections 3, 4 and 5 of the law, to wit:

Section 3. In all transactions or contracts, involving the sale or financing of real estate on installment payments, including residential condominium apartments but excluding industrial lots, commercial buildings and sales to tenants under Republic Act Numbered Thirty-Eight hundred forty-four as amended by Republic Act Sixty-three hundred eighty-nine, where the buyer has paid at least two years of installments, the buyer is entitled to the following rights in case he defaults in the payment of succeeding installments:

(a) To pay, without additional interest, the unpaid installments due within the total grace period earned by him which is hereby fixed at that rate of one month grace period for every one year of installment payments made; provided, That this right shall be exercised by the Buyer only once in every five years of the life of the contract and its extensions, if any.

(b) If the contract is cancelled, the seller shall refund to the buyer the cash surrender value of the payments on the property equivalent to fifty percent of the total payments made, and, after five years of installments, an additional five per cent every year but not to exceed ninety per cent of the total payments made; Provided, That the actual cancellation or the demand for rescission of the contract by a notarial act and upon full payment of the cash surrender value to the buyer.

Down payments, deposits or options on the contract shall be included in